

**PRAIRIE LAKES  
AREA EDUCATION AGENCY 8**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2013**

## CONTENTS

<b>OFFICIALS</b>		1
<b>INDEPENDENT AUDITOR’S REPORT</b>		2-4
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&amp;A)</b>		5-10
<b>BASIC FINANCIAL STATEMENTS</b>	<b><u>Exhibit</u></b>	
Government-Wide Financial Statements:		
Statement of Net Position	A	11
Statement of Activities	B	12
Governmental Fund Financial Statements:		
Balance Sheet	C	13
Reconciliation of the Balance Sheet –		
Governmental Funds to the Statement of Net Position	D	14
Statement of Revenues, Expenditures and Changes in		
Fund Balances – Governmental Funds	E	15
Reconciliation of the Statement of Revenues,		
Expenditures and Changes in Fund Balances –		
Governmental Funds to the Statement of Activities	F	16
Fiduciary Fund Financial Statement:		
Statement of Fiduciary Assets and Liabilities – Agency Fund	G	17
Notes to Financial Statements		18-29
<b>SUPPLEMENTARY INFORMATION</b>	<b><u>Schedule</u></b>	
Required Supplementary Information:		
Schedule of Revenues, Expenditures/Expenses, and		
Changes in Balances – Budget and Actual –		
All Governmental Funds		30
Note to Required Supplementary Information – Budgetary Reporting		31
Schedule of Funding Progress for the Retiree Health Plan		32
Supplementary Information:		
Nonmajor Governmental Fund:		
Balance Sheet	1	33
Schedule of Revenues, Expenditures and Changes		
in Fund Balances	2	34
Schedule of Change in Assets and Liabilities	3	35
Schedule of Revenues by Source and Expenditures		
by Function – All Government Funds	4	36
Schedule of Expenditures of Federal Awards	5	37

**CONTENTS**  
**(Continued)**

---

<b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	<b>38-39</b>
---	--------------

---

<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133</b>	<b>40-41</b>
--	--------------

---

<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>42-44</b>
--	--------------

---

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**OFFICIALS**

<i><b>NAME</b></i>	<i><b>TITLE</b></i>	<i><b>TERM EXPIRES</b></i>
--------------------	---------------------	----------------------------

**Board of Directors**

Dean Saunders	President	2015
Steve Jimmerson	Vice President	2015
Pat Brown	Member	2017
Sue Brown	Member	2017
Todd Lundgren	Member	2015
Rick Morain	Member	2017
Gary Astor	Member	2017

**Agency**

Jeff D. Herzberg	Chief Administrator	2014
Ginger Hoffman	Chief Administrator Assistant and Board Secretary	2013
Michelle R. Dowd	Chief Financial Officer and Board Treasurer	2013



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report**

To the Board of Directors of  
Prairie Lakes Area Education Agency 8  
Fort Dodge, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Prairie Lakes Area Education Agency 8 as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Prairie Lakes Area Education Agency 8 as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 10 and 30 through 32 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Prairie Lakes Area Education Agency 8's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 8, 2014 on our consideration of Prairie Lakes Area Education Agency 8's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Prairie Lakes Area Education Agency 8's internal control over financial reporting and compliance.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
January 8, 2014

## **PRAIRIE LAKES AREA EDUCATION AGENCY 8**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

Prairie Lakes Area Education Agency 8 provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

#### **2013 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$22,096,043 in fiscal 2012 to \$22,842,881 in fiscal 2013. The net increase in General Fund revenues was attributable in part to 1) an increase in State revenues of \$235,488, and 2) an increase in Federal Part B grant revenues of \$607,600.
- General Fund expenditures increased from \$22,286,607 in fiscal 2012 to \$23,562,926 in fiscal 2013. The increase in General Fund expenditures was attributable in part to the Agency's personnel costs increase of \$821,600 and technology costs increase of \$460,701 in fiscal year 2013.
- The Agency's General Fund balance decreased from \$6,190,081 at the end of fiscal 2012 to \$5,284,686 at the end of fiscal 2013. The reason the General Fund balance decrease was due to the Agency's requirement to utilize some of its fund balance to absorb its share of the Area Education Agency system-wide \$20 million cut in State funding passed by legislators for fiscal year 2013. This equated to a reduction in funds of \$1,486,312 in fiscal 2013.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Prairie Lakes Area Education Agency 8 as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### **USING THIS ANNUAL REPORT (Continued)**

#### **Reporting the Agency's Financial Activities**

##### ***Government-wide Financial Statements***

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Agency's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Agency's net position and how it has changed. Net position – the difference between the Agency's assets and liabilities – is one way to measure the Agency's financial health or position. Over time, increases or decreases in the Agency's net position are an indicator of whether financial position is improving or deteriorating, respectively. To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

In the government-wide financial statements, the Agency's activities consist of the following:

- *Governmental activities:* Most of the Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. Local school districts, federal and state aid finance most of these activities.

##### ***Fund Financial Statements***

The fund financial statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show it is properly using certain revenues, such as federal grants.

The Agency has two kinds of funds:

- Governmental funds account for most of the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include: 1) the General Fund, 2) the Special Revenue Funds and 3) the Debt Service Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

### USING THIS ANNUAL REPORT (Continued)

#### Reporting the Agency's Financial Activities (continued)

##### *Fund Financial Statements (continued)*

- Fiduciary funds are funds through which the Agency administers and accounts for certain federal and/or state grants as a fiscal agent. The Agency is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The Agency excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Prairie Lakes Area Education Agency 8's net position at the end of fiscal 2013 totaled approximately \$9.1 million. This compared to approximately \$9.4 million at the end of fiscal 2012. The following analysis focuses on the net position and changes in net position:

<b>CONDENSED STATEMENT OF NET POSITION</b>			
<b>Governmental Activities</b>			
		<b>2013</b>	<b>2012</b>
<b>Assets</b>			
Current and other assets	\$	<b>8,605</b>	\$ 9,932
Capital assets		<b>5,393</b>	5,098
<b>Total assets</b>		<b>13,998</b>	15,030
<b>Liabilities</b>			
Long-term liabilities		<b>2,176</b>	2,411
Other liabilities		<b>2,755</b>	3,247
<b>Total liabilities</b>		<b>4,931</b>	5,658
<b>Net Position</b>			
Invested in capital assets, net of related debt		<b>3,678</b>	3,273
Restricted		<b>202</b>	202
Unrestricted		<b>5,187</b>	5,897
<b>Total net position</b>	\$	<b>9,067</b>	\$ 9,372

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The Agency's total net position decreased by 3%, or approximately \$305,000, from fiscal 2012. The decrease occurred primarily in governmental activities as a result of an increase in expenditures in fiscal 2013. These increases in expenditures resulted in a reduction of the Agency's unrestricted fund balance.

The following analysis details the changes in net position resulting from the Agency's activities:

CHANGES IN NET POSITION			
Governmental Activities			
	2013		2012
Revenues:			
Program revenues:			
Charges for service	\$ 1,263	\$	1,185
Operating grants and contributions	10,921		10,560
General revenues:			
Property tax	6,047		5,951
State foundation aid	5,106		4,871
Unrestricted investment earnings	8		14
	23,345		22,581
Program expenses:			
Instruction	494		469
Student support services	10,327		9,668
Instructional staff support services	8,010		7,670
General administration	817		845
Business administration	1,184		1,227
Plant operations and maintenance	585		1,012
Central and other support services	2,158		2,150
Long-term debt interest	75		79
Total program expenses	23,650		23,120
(Decrease) in net position	(305)		(539)
Net position beginning of year	9,372		9,911
Net position end of year	\$ 9,067	\$	9,372

Property tax and state foundation aid account for 48% of the total revenue while operating grants and contributions from local, state and federal sources account for 52% of the total revenue. The Agency's expenses primarily relate to instruction and student and instructional staff support services, which account for 80% of the total expenses.

### **Governmental Activities**

Revenues for governmental activities were \$23,344,945 and expenses were \$24,250,355. In a difficult budget year, the Agency was able to provide services needed by local school districts.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Prairie Lakes Area Education Agency 8 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$5,487,090, below last year's ending fund balances of \$6,392,500. The primary reasons for the decrease in combined fund balances in fiscal year 2013 were the increased services provided to local school districts and the decrease in State Aid revenue for the Agency's share of the Area Education Agency system-wide \$20 million cut in state funding passed by legislators in 2013.

#### **Governmental Fund Highlights**

- The Agency's decreasing General Fund financial position is the product of many factors, including the services needed by local school districts. The decrease in revenues required the Agency to use carryover fund balance to meet its financial obligations during the year.
- The General Fund balance decreased from \$6,190,081 to \$5,284,686 due, in part, to the additional services provided and the current year reduction in state aid.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Agency amended its budget once to reflect additional revenue and expenditures associated with the additional services needed and provided to the local school districts.

The Agency's total revenues were \$176,988 greater than total budgeted revenues, a variance of less than 1%. Total expenditures were \$712,732 greater than budgeted, a variance of 3%.

A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the Required Supplementary Information section of this report.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2013, the Agency had invested \$5,392,536, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, computers and audio-visual equipment. This is a net increase of approximately \$294,734 from last year. This increase was primarily due to the purchase of additional technology for the Agency.

Prairie Lakes Area Education Agency 8 had depreciation expense of \$269,228 in fiscal 2013 and total accumulated depreciation of \$4,157,495 at June 30, 2013. More detailed information about capital assets is available in Note 3 to the financial statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

### **CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)**

#### **Long-Term Debt**

At June 30, 2013, the Agency had \$1,715,000 in long-term debt outstanding compared to \$1,825,000 at June 30, 2012. At June 30, 2013, the Agency had \$460,949 in compensated absences and early retirement obligation compared to \$585,872 at June 30, 2012. More detailed information about the Agency's long-term liabilities is available in Note 4 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the Agency was aware of existing circumstances that could significantly affect its financial health in the future:

- The Agency has experienced an annual decrease in the number of students enrolled in local districts for the past several years. That decrease is expected to continue, and since controlled funding is driven by the number of students enrolled, decreased funding from the state is anticipated for the upcoming fiscal year.
- The Agency has been notified to expect little or no increase in Federal IDEA funding for the immediate future.
- The Agency began construction of its new central facility located in Pocahontas, Iowa in October of 2005. Funding of the \$2,490,000 project was financed by the sale of lease certificates. Repayment of principal and interest began in December of 2005 and will continue until June of 2025 with an average yearly payment of \$183,091. The Agency is considering paying these certificates off on June 1, 2014 when they become callable. This would result in a \$600,000 savings in future interest payments.
- The 2003 Legislature reduced the Agency's fiscal year 2003/2004 state aid by \$1,306,673 and also imposed a \$995,807 fund balance reduction. The 2004 and 2005 Legislatures extended the \$1,299,808 and \$1,433,562 reductions to fiscal years 2004/05 and 2005/06, respectively. While a portion of the reduction was restored for 2006/07 to an amount of \$1,160,503, for 2007/08 to \$956,134, and for 2008/09 to \$751,765. For 2009/10 the prorate reduction to the budget is \$838,852. For 2010/11 the prorate reduction to the budget is \$751,765. For fiscal years 2012/12 and 2013/13 the Agency received a reduction in State Aid of approximately \$1.4 million for each fiscal year. These represent the Agency's portion of a legislative passed \$20 million cut to the state wide Area Education system. For fiscal years 2013/2014 the Agency received a reduction in State Aid of approximately \$700,000. This represents the Agency's portion of a legislative passed \$15 million cut to the state wide Area Education system. These are permanent losses of revenue that the Agency does not have any means to recoup. These reductions have impacted the Agency's ability to provide services to schools and will continue to do so in future years.

### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer's Office of Prairie Lakes Area Education Agency 8, at 1235 5th Ave South, Fort Dodge, Iowa 50501.

## **BASIC FINANCIAL STATEMENTS**



**PRAIRIE LAKES AREA EDUCATION AGENCY 8**





**STATEMENT OF NET POSITION**  
**June 30, 2013**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and pooled investments	\$ 5,867,080
Receivables:	
Accounts	335,386
Due from other governments	2,005,067
Prepaid expenses	1,074
Inventories	33,603
Capital assets (net of accumulated depreciation)	5,392,536
Net OPEB asset	363,000
<b>Total assets</b>	<b>\$ 13,997,746</b>
<b>Liabilities</b>	
Payables:	
Accounts	\$ 552,123
Salaries and benefits payable	2,141,897
Deferred revenue:	
Federal	10,329
Other	50,771
Long-term liabilities:	
Portion due or payable within one year:	
Certificates of participation	115,000
Compensated absences	181,696
Early retirement obligation	134,525
Portion due or payable after one year:	
Certificates of participation	1,600,000
Early retirement obligation	144,728
<b>Total liabilities</b>	<b>4,931,069</b>
<b>Net Position</b>	
Net investment in capital assets	3,677,536
Restricted for:	
Debt service	202,404
Unrestricted	5,186,737
<b>Total net position</b>	<b>9,066,677</b>
<b>Total liabilities and net position</b>	<b>\$ 13,997,746</b>

See Notes to Financial Statements.

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**STATEMENT OF ACTIVITIES**

**June 30, 2013**

		<b>Program Revenues</b>	
		<b>Charges for</b>	<b>Operating Grants</b>
	<b>Expenses</b>	<b>Services</b>	<b>and Contributions</b>
<b>Functions/Programs:</b>			
Governmental Activities:			
Instruction	\$ 493,682	\$ 190,011	\$ 312,050
Student support services	16,207,339	-	9,823,346
Instructional staff support services	2,130,179	802,245	541,720
General administration	817,445	-	-
Business administration	1,184,041	61,700	-
Plant operations and maintenance	584,791	-	-
Central and other support services	2,157,853	208,618	58,264
Interest on long-term debt	75,368	-	185,350
<b>Total governmental activities</b>	<b>\$ 23,650,698</b>	<b>\$ 1,262,574</b>	<b>\$ 10,920,730</b>

**General Revenues:**

Property taxes, levied for general purposes  
State Foundation aid  
Unrestricted investment earnings

Change in net position

Net position beginning of year

Net position end of year

See Notes to Financial Statements.

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Position</b>	
<b>Governmental Activities</b>	<b>Total</b>
\$ 8,379	\$ 8,379
(6,383,993)	(6,383,993)
(786,214)	(786,214)
(817,445)	(817,445)
(1,122,341)	(1,122,341)
(584,791)	(584,791)
(1,890,971)	(1,890,971)
109,982	109,982
(11,467,394)	(11,467,394)
6,047,038	6,047,038
5,106,222	5,106,222
8,381	8,381
11,161,641	11,161,641
(305,753)	(305,753)
9,372,430	9,372,430
\$ 9,066,677	\$ 9,066,677

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2013**

	<div> <div>Special Revenue</div> <div>Special Education Instruction</div> </div>	
	General	
<b>Assets</b>		
Cash and pooled investments	\$ 5,633,316	\$ 31,360
Receivables:		
Accounts	293,640	41,746
Due from other governments	2,003,651	1,416
Prepaid expenses	1,074	-
Inventories	33,603	-
<b>Total assets</b>	<b>\$ 7,965,284</b>	<b>\$ 74,522</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Payables:		
Accounts	\$ 545,107	\$ 7,016
Salaries and benefits payable	2,074,391	67,506
Deferred revenue:		
Federal	10,329	-
Other	50,771	-
<b>Total liabilities</b>	<b>2,680,598</b>	<b>74,522</b>
Fund Balances:		
Nonspendable:		
Inventories	33,603	-
Restricted for:		
Debt service	-	-
Categorical funding	44,193	-
Media materials	505,389	-
Committed for:		
Compensated absences	181,696	-
Early retirement obligation	279,253	-
Certificates of participation	1,715,000	-
OPEB obligation	363,000	-
Unassigned	2,162,552	-
<b>Total fund balances</b>	<b>5,284,686</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,965,284</b>	<b>\$ 74,522</b>

See Notes to Financial Statements.

**Exhibit C**

<b>Nonmajor</b>		<b>Total</b>	
\$	202,404	\$	5,867,080
	-		335,386
	-		2,005,067
	-		1,074
	-		33,603
\$	202,404	\$	8,242,210
\$	-	\$	552,123
	-		2,141,897
	-		10,329
	-		50,771
	-		2,755,120
	-		33,603
	202,404		202,404
	-		44,193
	-		505,389
	-		181,696
	-		279,253
	-		1,715,000
	-		363,000
	-		2,162,552
	202,404		5,487,090
\$	202,404	\$	8,242,210



## RECONCILIATION OF THE BALANCE SHEET--

## GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2013

**Total governmental fund balances (page 13)**

\$ 5,487,090

*Amounts reported for governmental activities in the Statement of Net Position are different because:*

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$9,550,031 and the accumulated depreciation is \$4,157,495.

5,392,536

Long-term liabilities, including capital leases, compensated absences, and early retirement obligations, are not due and payable in the current period and, therefore, are not reported in the funds.

(2,175,949)

The Net OPEB Asset is not due and receivable in the current period and, therefore, not reported in the government funds.

---

 363,000
**Net position of governmental activities (page 11)**


---

 \$ 9,066,677
 

---

See Notes to Financial Statements.



**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES -- GOVERNMENTAL FUNDS  
Year Ended June 30, 2013**

	<div> <div>Special Revenue</div> <div>Special Education</div> </div>	
	General	Instruction
Revenues:		
Local sources	\$ 7,313,330	\$ 190,011
State sources	7,205,197	312,050
Federal sources	8,324,354	-
<b>Total revenues</b>	<b>22,842,881</b>	<b>502,061</b>
Expenditures:		
Current:		
Instruction	-	502,061
Student support services	16,398,182	-
Instructional staff support services	2,075,943	-
General administration	848,890	-
Business administration	1,467,786	-
Plant operations and maintenance	625,547	-
Central and other support services	2,146,578	-
Debt service	-	-
<b>Total expenditures</b>	<b>23,562,926</b>	<b>502,061</b>
(Deficiency) of revenues (under) expenditures	(720,045)	-
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(185,350)	-
<b>Total financing sources (uses)</b>	<b>(185,350)</b>	<b>-</b>
Net change in fund balances	(905,395)	-
Fund balances, beginning of year	6,190,081	-
Fund balances, end of year	<u><u>\$ 5,284,686</u></u>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**Exhibit E**

---

<b>Nonmajor</b>		<b>Total</b>	
<hr/>		<hr/>	
\$	3	\$	7,503,344
	-		7,517,247
	-		8,324,354
<hr/>		<hr/>	
	3		23,344,945
<hr/>		<hr/>	
	-		502,061
	-		16,398,182
	-		2,075,943
	-		848,890
	-		1,467,786
	-		625,547
	-		2,146,578
	185,368		185,368
<hr/>		<hr/>	
	185,368		24,250,355
<hr/>		<hr/>	
	(185,365)		(905,410)
<hr/>		<hr/>	
	185,350		185,350
<hr/>		<hr/>	
	-		(185,350)
<hr/>		<hr/>	
	185,350		-
<hr/>		<hr/>	
	(15)		(905,410)
<hr/>		<hr/>	
	202,419		6,392,500
<hr/>		<hr/>	
\$	202,404	\$	5,487,090
<hr/>		<hr/>	

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES --  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013**

**Net change in fund balances - total governmental funds (page 15)** \$ (905,410)

*Amounts reported for governmental activities in the Statement of  
Activities are different because:*

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Capital outlay exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 567,074	
Depreciation expense	<u>(269,228)</u>	297,846

In the Statement of Activities, the loss on the disposition of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

(3,112)

Certificates of participation provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of certificate principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which payments exceeded proceeds.

110,000

Compensated absences and early retirement obligation expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

124,923

The Net OBEP Asset is not due and receivable in the current period and, therefore, not reported in the government funds.

70,000

**Change in net position of governmental activities (page 12)** \$ (305,753)

See Notes to Financial Statements.

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**Exhibit G**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
AGENCY FUND**

**June 30, 2013**

<b>Assets</b>	
Cash	\$ 55,215
<b>Total assets</b>	<u>55,215</u>
<b>Liabilities</b>	
Due to other governments	<u>55,215</u>
<b>Total liabilities</b>	<u>55,215</u>
<b>Net position</b>	<u>\$ -</u>

See Notes to Financial Statements.



## PRAIRIE LAKES AREA EDUCATION AGENCY 8

### NOTES TO FINANCIAL STATEMENTS

---

#### Note 1. Summary of Significant Accounting Policies

Prairie Lakes Area Education Agency 8 is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 44 school districts and 11 accreditable non-public schools in a 14-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity:

For financial reporting purposes, Prairie Lakes Area Education Agency 8 has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. Prairie Lakes Area Education Agency 8 has no component units that meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation:

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

*Net Investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources that are imposed by management, but can be removed or modified.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued):

Government-wide Financial Statements (continued) – The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The Agency reports the following major governmental funds:

The General Fund is the general operating fund of the Agency. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Special Revenue, Special Education Instruction Fund is used to account for a program where the Agency employs teachers to provide instruction to special education pupils. The actual costs of providing instructional services to the pupils are billed to the individual school districts.

The Agency also reports the following fiduciary fund:

The Agency Fund is used to account for assets held by the Agency as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting:

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year-end.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting (continued):

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from the restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

#### D. Assets, Liabilities and Fund Equity:

Cash and Pooled Investments – Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value and non-negotiable certificates of deposit are stated at cost.

Inventories – Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Land	No lower limit
Buildings	\$ 5,000
Building improvement	5,000
Vehicles	5,000
Furniture and equipment	5,000
Library books	Aggregated annual purchases



## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Liabilities and Fund Equity (continued):

Capital assets of the Agency are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Building improvement	15
Vehicles	5
Furniture and equipment	10
Library books	5

Salaries and Benefits Payable – Payroll and related expenses for all licensed staff with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Deferred revenue represents an excess of cash advances by the funding source over accrued expenditures at year end.

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use. A liability has been recorded in the Statement of Net Position representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

Long-term Obligation – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances – In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Directors through resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same action it employed to commit these amounts.

*Unassigned* – All amounts not included in the preceding classifications.

## NOTES TO FINANCIAL STATEMENTS

---

### **Note 1. Summary of Significant Accounting Policies (Continued)**

#### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

#### **F. Subsequent Events**

Subsequent events have been evaluated through January 8, 2014, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

### **Note 2. Cash and Pooled Investments**

The Agency's deposits in banks at June 30, 2013, were entirely covered by Federal depository insurance or by the State sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest Rate Risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 157,212	\$ -	\$ -	\$ 157,212
Total capital assets not being depreciated	157,212	-	-	157,212
Capital assets being depreciated:				
Buildings and improvements	4,841,240	161,454	-	5,002,694
Furniture and equipment	912,756	390,971	-	1,303,727
Vehicles	99,411	-	-	99,411
Library books and films	2,984,786	14,649	12,448	2,986,987
Total capital assets being depreciated	8,838,193	567,074	12,448	9,392,819
Less accumulated depreciation for:				
Buildings and improvements	1,110,836	104,508	-	1,215,344
Furniture and equipment	582,729	93,989	-	676,718
Vehicles	68,049	11,275	-	79,324
Library books and films	2,135,989	59,456	9,336	2,186,109
	3,897,603	269,228	9,336	4,157,495
Total capital assets being depreciated, net	4,940,590	297,846	3,112	5,235,324
Governmental activities capital assets, net	\$ 5,097,802	\$ 297,846	\$ 3,112	\$ 5,392,536

Depreciation expense was charged to functions of the Agency as follows:

Governmental activities:	
Student support services	\$ 5,557
Instructional staff support services	65,616
General administration/Building administration	66,172
Plant operations and maintenance	120,608
Central and other support services	11,275
Total governmental activities depreciation expense	\$ 269,228

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Changes in Long-term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Certificates of Participation	\$ 1,825,000	\$ -	\$ 110,000	\$ 1,715,000	\$ 115,000
Compensated absences	152,762	31,641	2,707	181,696	181,696
Early retirement obligation	433,110	-	153,857	279,253	134,525
	<u>\$ 2,410,872</u>	<u>\$ 31,641</u>	<u>\$ 266,564</u>	<u>\$ 2,175,949</u>	<u>\$ 431,221</u>

#### Early Retirement Obligation:

The Agency offered a voluntary early retirement plan to its employees in previous years; however, this policy ended effective July 1, 2009.

At June 30, 2013, the Agency has obligations to twenty-four participants with a total liability of \$279,253. Actual early retirement expenditures for the year ended June 30, 2013 totaled \$153,857.

#### Certificates of Participation:

The Agency has sold Certificates of Participation for the construction of the office facility in Pocahontas, Iowa, for a total of \$2,490,000. The Certificates of Participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of twenty years with an interest rate ranging from 3.5% to 4.35%. The following is a schedule by year of the future minimum payments required:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 115,000	\$ 70,968	\$ 185,968
2015	120,000	66,080	186,080
2016	125,000	61,580	186,580
2017	125,000	56,768	181,768
2018	135,000	51,767	186,767
Thereafter	1,095,000	194,172	1,289,172
	<u>\$ 1,715,000</u>	<u>\$ 501,335</u>	<u>\$ 2,216,335</u>

Payments for the Certificates of Participation for the Pocahontas facility for the year ended June 30, 2013, including interest total \$185,368.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 5. Operating Leases

The Agency has leased various equipment and facilities within the area to support and house the different zones of the Agency. These leases have been classified as operating leases and accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2013 and June 30, 2016. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013.

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 92,500
2015	79,000
2016	79,000
	<u>\$ 250,500</u>

The total rental expenditures for the year ended June 30, 2013 for all operating leases, except those with terms of a month or less that were not renewed, was \$92,500.

### Note 6. Lease of Office Space

The Agency, as lessor, leases 55% of a building as office space to several entities. The lease terms expire in various years through 2017 and range from \$6,240 to \$30,000 per lease annually.

At June 30, 2013 future minimum lease payments receivable under noncancelable operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 65,360
2015	45,392
2016	45,392
2017	30,000
	<u>\$ 186,144</u>

## NOTES TO FINANCIAL STATEMENTS

---

### Note 7. Pension and Retirement Benefits

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% of their annual covered salary and the Agency is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$1,141,817, \$1,015,371 and \$941,387, respectively, equal to the required contribution for each year.

### Note 8. Other Postemployment Retirement Benefits (OPEB)

Plan Description – The Agency operates a single-employer health benefit plan that provides medical and prescription drug benefits for retirees and their spouses. There are 227 active and 37 retired members in the plan. Participants must be age 55 or older at retirement.

The medical and prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfounded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution	\$ 206,000
Interest on net OPEB obligation	(13,000)
Adjustment to annual required contribution	11,000
Annual OPEB cost	<u>204,000</u>
Contributions made	<u>(274,000)</u>
Decrease in net OPEB obligation	(70,000)
Net OPEB obligation beginning of year	<u>(293,000)</u>
Net OPEB obligation end of year	<u><u>\$ (363,000)</u></u>

## NOTES TO FINANCIAL STATEMENTS

---

### Note 8. Other Postemployment Retirement Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (continued) – For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the Agency contributed \$2,100,953 to the medical plan and plan members eligible for benefits contributed \$525,238.

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost	Net OPEB Obligation
June 30, 2010	\$ 240,000	122.92%	\$ (123,000)
June 30, 2011	274,000	131.02	(208,000)
June 30, 2012	274,000	131.02	(293,000)
June 30, 2013	204,000	134.31	(363,000)

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,629,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,629,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$13,125,957, and the ratio of the UAAL to covered payroll was 12.4%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

## NOTES TO FINANCIAL STATEMENTS

---

### **Note 8. Other Postemployment Retirement Benefits (OPEB) (Continued)**

Actuarial Methods and Assumptions (continued) – Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial report as of June 30, 2012 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2012.

Projected claim costs of the medical plan are \$623 per month for retirees less than age 65 and \$623 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### **Note 9. Risk Management**

Prairie Lakes Area Education Agency 8 is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



## NOTES TO FINANCIAL STATEMENTS

### Note 10. Early Childhood Iowa Area Board

The Agency is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. The Area Board receives state grants to administer early childhood and school ready programs. Financial transactions of the Area Board are included in the Agency's financial statements as an Agency Fund because of the Agency's fiduciary relationship with the organization. The Area Board's financial data for the year ended June 30, 2013 is as follows:

	<b>Early Childhood Iowa Local Area</b>		
	<b>Early Childhood Fund</b>	<b>School Ready Fund</b>	<b>Total</b>
<b>Additions:</b>			
State of Iowa grants:			
Early childhood	\$ 65,235	\$ -	\$ 65,235
Family support and parent education	-	233,849	233,849
Preschool support for low-income families	-	102,677	102,677
Quality improvement	-	46,632	46,632
Allocation for administration	-	12,617	12,617
Other grant programs	-	25,054	25,054
<b>Total State of Iowa grants</b>	<b>65,235</b>	<b>420,829</b>	<b>486,064</b>
<b>Deductions:</b>			
Program services:			
Early childhood	68,120	-	68,120
Family support and parent education	-	233,018	233,018
Preschool support for low-income families	-	92,350	92,350
Quality improvement	-	41,504	41,504
Other grant programs	-	21,849	21,849
<b>Total program services</b>	<b>68,120</b>	<b>388,721</b>	<b>456,841</b>
Administration	-	10,310	10,310
<b>Total deductions</b>	<b>68,120</b>	<b>399,031</b>	<b>467,151</b>
<b>Net change</b>	<b>(2,885)</b>	<b>21,798</b>	<b>18,913</b>
Fund balances, beginning of year	7,534	28,768	36,302
Fund balances, end of year	\$ 4,649	\$ 50,566	\$ 55,215

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**



## **REQUIRED SUPPLEMENTARY INFORMATION**

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND  
CHANGES IN BALANCES -- BUDGET AND ACTUAL --  
ALL GOVERNMENTAL FUNDS  
Required Supplementary Information  
Year Ended June 30, 2013**

	<b>Governmental</b>	
	<b>Fund Types</b>	<b>Total</b>
	<b>Actual</b>	<b>Actual</b>
Revenues:		
Local sources	\$ 7,503,344	\$ 7,503,344
State sources	7,517,247	7,517,247
Federal sources	8,324,354	8,324,354
<b>Total revenues</b>	<b>23,344,945</b>	<b>23,344,945</b>
Expenditures/Expenses:		
Current:		
Instruction	502,061	502,061
Student support services	16,398,182	16,398,182
Instructional staff support services	2,075,943	2,075,943
General administration	848,890	848,890
Business administration	1,467,786	1,467,786
Plant operations and maintenance	625,547	625,547
Central and other support services	2,146,578	2,146,578
Debt service	185,368	185,368
<b>Total expenditures/expenses</b>	<b>24,250,355</b>	<b>24,250,355</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	(905,410)	(905,410)
Balance, beginning of year	6,392,500	6,392,500
Balance, end of year	\$ 5,487,090	\$ 5,487,090

See accompanying Independent Auditor's Report.

Budget		Final to Actual Variance Favorable (Unfavorable)
Original	Final	
\$ 7,323,776	\$ 7,277,777	\$ 225,567
8,196,391	7,472,543	44,704
8,516,287	8,417,637	(93,283)
24,036,454	23,167,957	176,988
551,000	510,196	8,135
16,460,035	15,713,889	(684,293)
2,409,553	2,180,352	104,409
861,706	882,950	34,060
2,486,326	2,231,054	763,268
949,634	567,026	(58,521)
1,081,948	1,266,788	(879,790)
185,367	185,368	-
24,985,569	23,537,623	(712,732)
(949,115)	(369,666)	535,744
5,718,804	6,392,500	-
\$ 4,769,689	\$ 6,022,834	\$ 535,744



**PRAIRIE LAKES AREA EDUCATION AGENCY 8**  
**June 30, 2013**

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**

---

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles for all funds except Agency Funds. Although the budget document presents function expenditure/expenses by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2013, the Agency's expenditures/expenses exceeded the approved budget.





**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN (In Thousands)  
Required Supplementary Information**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
2010	July 1, 2008	\$ -	\$ 2,756	\$ 2,756	0.00	\$ 13,937	19.77
2011	July 1, 2010	-	2,352	2,352	0.00	13,254	17.75
2012	July 1, 2010	-	2,352	2,352	0.00	12,483	18.84
2013	July 1, 2012	-	1,629	1,629	0.00	13,126	12.41

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying Independent Auditor's Report.



## **SUPPLEMENTARY INFORMATION**



**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**Schedule 1**

**BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND  
Year Ended June 30, 2013**

	<u>Debt Service</u>
<b>Assets</b>	
Cash and pooled investments	<u>\$ 202,404</u>
<b>Total assets</b>	<u><u>\$ 202,404</u></u>
<b>Liabilities and Fund Balances</b>	
Liabilities:	
<b>Total liabilities</b>	<u>\$ -</u>
Fund balances:	
Restricted for:	
Debt service	<u>202,404</u>
<b>Total fund balances</b>	<u><u>202,404</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 202,404</u></u>

See Accompanying Independent Auditor's Report.

**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**Schedule 2**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND  
Year Ended June 30, 2013**

	<b>Debt Service</b>
Revenues:	
Local sources	\$ 3
<b>Total revenues</b>	<u>3</u>
Expenditures:	
Debt service	185,368
<b>Total expenditures</b>	<u>185,368</u>
(Deficiency) of revenues (under) expenditures	(185,365)
Other financing sources:	
Transfers in	<u>185,350</u>
Excess of expenditures and other financing uses over revenues and other financing sources	(15)
Fund balances beginning of year	<u>202,419</u>
Fund balances end of year	<u>\$ 202,404</u>

See accompanying Independent Auditor's Report.

**SCHEDULE OF CHANGE IN ASSETS AND LIABILITIES**  
**Year Ended June 30, 2013**

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance End of Year</b>
<b>Assets:</b>				
Cash	\$ 36,302	\$ 486,064	\$ 467,151	\$ 55,215
<b>Total assets</b>	<b>\$ 36,302</b>	<b>\$ 486,064</b>	<b>\$ 467,151</b>	<b>\$ 55,215</b>
<b>Liabilities:</b>				
Due to other governments	\$ 36,302	\$ 486,064	\$ 467,151	\$ 55,215
<b>Total liabilities</b>	<b>\$ 36,302</b>	<b>\$ 486,064</b>	<b>\$ 467,151</b>	<b>\$ 55,215</b>

See accompanying Independent Auditor's Report.



**PRAIRIE LAKES AREA EDUCATION AGENCY 8**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES**

**BY FUNCTION -- ALL GOVERNMENTAL FUNDS**

**For the Last Nine Years**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Revenues:				
Local	\$ 7,503,344	\$ 7,508,883	\$ 7,430,401	\$ 7,214,831
State	7,517,247	7,256,771	8,662,465	7,898,189
Federal	8,324,354	7,815,655	9,729,231	14,630,063
<b>Total</b>	<b>\$ 23,344,945</b>	<b>\$ 22,581,309</b>	<b>\$ 25,822,097</b>	<b>\$ 29,743,083</b>
Expenditures:				
Current:				
Instruction	\$ 502,061	\$ 480,958	\$ 656,783	\$ 629,039
Student support services	16,398,182	9,889,858	10,216,925	14,744,364
Instructional staff support services	2,075,943	7,640,591	7,835,633	7,934,751
General administration	848,890	848,990	811,244	840,582
Business administration	1,467,786	1,218,065	1,018,588	934,201
Plant operations and maintenance	625,547	550,510	894,022	886,035
Central and other support services	2,146,578	2,138,593	2,343,009	2,568,216
Facilities acquisition and construction	-	-	-	-
Debt service	185,368	184,305	312,055	242,380
<b>Total</b>	<b>\$ 24,250,355</b>	<b>\$ 22,951,870</b>	<b>\$ 24,088,259</b>	<b>\$ 28,779,568</b>

See accompanying Independent Auditor's Report.

**Schedule 4**

**Modified Accrual Basis  
Years Ended June 30**

2009		2008		2007		2006		2005	
\$	7,255,444	\$	6,997,952	\$	6,592,704	\$	9,443,187	\$	6,136,669
	8,816,888		8,029,311		6,958,751		6,089,199		6,570,193
	10,430,610		9,675,510		9,890,074		9,574,428		8,149,680
<hr/>									
\$	26,502,942	\$	24,702,773	\$	23,441,529	\$	25,106,814	\$	20,856,542
<hr/>									
\$	598,745	\$	600,462	\$	649,697	\$	600,311	\$	733,004
	11,653,983		16,383,637		13,731,170		12,479,304		10,999,916
	8,852,222		2,653,162		3,797,579		3,901,029		4,436,652
	851,999		773,114		831,913		1,908,045		1,621,130
	1,024,100		733,729		914,375		1,510,205		537,537
	609,018		671,640		841,481		904,188		526,417
	2,550,666		2,579,110		2,472,812		859,689		860,179
	-		60		308,677		2,199,463		-
	280,624		278,161		886,673		279,652		135,641
<hr/>									
\$	26,421,357	\$	24,673,075	\$	24,434,377	\$	24,641,886	\$	19,850,476
<hr/>									

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2013**

<b>Project Title</b>	<b>CFDA Number</b>	<b>Pass-through Grantor's Number</b>	<b>Expenditures</b>
<b>U. S. Department of Education:</b>			
Passed-through Iowa Department of Education:			
Education of Handicapped Act (EHA) Part B - 94-142:			
Special Education - Grants to States (IDEA, Part 3):			
Early Childhood Education for the Handicapped	84.027	111208 and 1KB2-08	\$ 5,621,187
Early Childhood Education LEA Flow Through	84.027	9KB2-08	1,684,938
Parent Educator Connection Project	84.027	07408	58,264
Special Education - Preschool Grants (IDEA Preschool) Section 619, Ages 3-5:			
Part B - Section 619, Ages 3-5	84.173	1112619-08	275,507
Iowa Quality Preschool Program Standards - Training	84.173	015213	4,400
Iowa Quality Preschool Program Standards - Verification	84.173	019413	13,500
Special Education - Grants for Infants and Families with Disabilities - 94-142 Part C:			
Part C	84.181	C08-08 (8KC3)	204,742
Safe and Drug Free Schools & Communities	84.184	ISS3-B-08	100,676
Miscellaneous 94-142:			
Secondary Professional Development Grant	84.323A	SPDG-09	38,495
Cognitive Guided Instruction	84.323		4,708
Technology Literacy Challenge/E2T2	84.318	6TL3	65,440
Title II Part A - Federal Teacher Quality Program	84.367		10,669
Title III ELL	84.365		165,405
<b>U. S. Department of Health and Human Services:</b>			
Passed-Through Iowa Department of Human Services:			
Medical Assistance Program Title 19 Medicaid Reimbursement:			
Title 19 Medicaid Reimbursement	93.778		1,728
Part C Infants and Toddlers Reimbursement	93.778		6,575
Temporary Assistance for Needy Families (TANF)	93.558		68,120
<b>Total expenditures of federal awards</b>			<b>\$ 8,324,354</b>

**Basis of Presentation:** The Schedule of Expenditures of Federal Awards includes the federal grant activity of Prairie Lakes Area Education Agency 8 and is presented on the modified accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying Independent Auditor's Report.

**Independent Auditor's Report  
on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance  
with Government Auditing Standards**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report  
on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance  
with Government Auditing Standards**

To the Board of Directors of  
Prairie Lakes Area Education Agency<sup>8</sup>  
Fort Dodge, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Prairie Lakes Area Education Agency 8 as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated January 8, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Prairie Lakes Area Education Agency 8's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prairie Lakes Area Education Agency 8's internal control. Accordingly, we do not express an opinion on the effectiveness of Prairie Lakes Area Education Agency 8's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prairie Lakes Area Education Agency 8's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Prairie Lakes Area Education Agency 8's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Prairie Lakes Area Education Agency 8. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Prairie Lakes Area Education Agency 8's Responses to Findings

Prairie Lakes Area Education Agency 8's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Prairie Lakes Area Education Agency 8's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Prairie Lakes Area Education Agency 8 during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
January 8, 2014

**Prairie Lakes Area Education Agency 8**

**Independent Auditor's Report  
on Compliance for Each Major Federal Program,  
on Internal Control over Compliance and on  
the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**





**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report  
on Compliance for Each Major Federal Program,  
on Internal Control over Compliance and on  
the Schedule of Expenditures of Federal Awards  
Required by OMB Circular A-133**

To the Board of Directors of  
Prairie Lakes Area Education Agency 8:  
Fort Dodge, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Prairie Lakes Area Education Agency 8's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. Prairie Lakes Area Education Agency 8's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Prairie Lakes Area Education Agency 8's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Prairie Lakes Area Education Agency 8's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Prairie Lakes Area Education Agency 8's compliance.

### Opinion on Each Major Federal Program

In our opinion, Prairie Lakes Area Education Agency 8 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### Report on Internal Control Over Compliance

The management of Prairie Lakes Area Education Agency 8 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Prairie Lakes Area Education Agency 8's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Prairie Lakes Area Education Agency 8's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Prairie Lakes Area Education Agency 8's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Prairie Lakes Area Education Agency 8's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Schnarr & Company, LLP*

Fort Dodge, Iowa  
January 8, 2014

## **PRAIRIE LAKES AREA EDUCATION AGENCY 8**

### **Schedule of Findings and Questioned Costs Year ended June 30, 2013**

#### **Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No reportable conditions in internal control over compliance with requirements applicable to major federal award programs were disclosed by the audit.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - ❖ Special Education Cluster (IDEA):
    - CFDA Number 84.027 – Special Education - Grants to States
    - CFDA Number 84.173 – Special Education - Preschool Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Prairie Lakes Area Education Agency 8 did not qualify as a low-risk auditee.

#### **Part II: Findings Related to the Financial Statements:**

##### **Material Weakness:**

No matters were noted.

##### **Instances of Non-Compliance:**

No matters were noted.

**Schedule of Findings and Questioned Costs  
Year ended June 30, 2013**

**Part III: Findings and Questioned Costs For Federal Awards:**

**Instances of Non-Compliance:**

No matters were noted.

**Material Weakness:**

No matters were noted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-13 Certified Budget – Expenditures during the year ended June 30, 2013 exceeded the amount budgeted.

Recommendation: The certified budget should have been amended by sufficient amounts in accordance with the Code of Iowa before expenditures were allowed to exceed the budget.

Agency Response: The Agency is limited in being able to amend their budget only once a year as the Department of Education only recognizes an amendment from the Agency at the time of the filing of the Agency's next year's budget, which is due February 10th. The Agency did amend their 2012-2013 budget to reflect a more accurate picture on February 10, 2013. The Agency was notified in November 2012 that the special education support services fund balance exceeded the 10% limit, thus the Agency submitted a plan for approval by the SBRC committee. On March 25, 2013 the Agency received confirmation that the plan submitted by the Agency to utilize the funds in fiscal year 2013 for necessary special education support services was approved by the SBRC committee. This plan included additional personnel costs and technology purchases. These expenditures were incurred, but after the ability for the Agency to meet the one time amendment date of February 10, 2013. The Agency will attempt to better predict their expenditures to prevent this from happening in the future.

Conclusion: Response accepted.

- IV-B-13 Questionable Expenditures –No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-13 Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-D-13 Business Transactions – No business transactions between the Agency and Agency officials or employees were noted.
- IV-E-13 Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- IV-F-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

**Schedule of Findings and Questioned Costs  
Year ended June 30, 2013**

**Part IV: Other Findings Related to Required Statutory Reporting (Continued):**

- IV-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- IV-H-13 Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-13 Categorical Funding – No instances of categorical funding being used to supplant rather than supplement other funds were noted.
- IV-J-13 Early Childhood Iowa Area Board – Prairie Lakes Area Education Agency 8 is the fiscal agent for the Early Childhood Iowa Area Board, an organization formed pursuant to the provisions of Chapter 256I of the Code of Iowa. Financial transactions of the Area Board are included in the Agency's financial statements as an Agency Fund because of the Agency's fiduciary relationship with the organization.

No instances of non-compliance were noted as a result of audit procedures performed.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Prairie Lakes Area Education Agency 8 during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schnurr & Company, LLP*

Fort Dodge, Iowa  
January 8, 2014

